



**City of Knoxville**

**City of Knoxville Pension System**

# **ACTUARIAL VALUATION REPORT**

as of July 1, 2023



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September 14, 2023

Ms. Kristi Paczkowski  
Executive Director  
Public Safety Complex  
1650 Huron Street  
Knoxville, TN 37917

Dear Kristi:

The attached report summarizes the results of the actuarial valuation as of July 1, 2023 for the City of Knoxville Pension System. The report sets forth annual funding levels during the Pension System fiscal year beginning July 1, 2024. We trust this report will be helpful in the formulation of policy with respect to the operation and financing of the plan.

The opportunity to serve the Pension Board is appreciated, and we will be pleased to supplement this report in any way, as you request.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles and is based on actuarial assumptions, each of which we consider to be reasonable taking into account the experience of the plan and which, in combination, represent our best estimate of the anticipated experience of the Plan. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. The actuarial valuation summarized in this report has been prepared using employee data, plan documentation, and plan assets furnished by the plan's administrative staff as of July 1, 2023. While we have not audited the data, we have reviewed it for reasonableness and internal consistency, and to the best of our knowledge, there are no material limitations to the data provided. The actuary has prepared and provided all schedules contained herein.

Actuarial computations under Statements 67 and 68 are for purposes of fulfilling employer governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the statements. The undersigned is an actuary at USI Consulting Group, with professional actuarial credentials, and has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Sincerely,

A handwritten signature in cursive script that reads "Laura S Stewart".

Laura S Stewart, FSA

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## Executive Summary

### Summary of Key Results (Non Division H)

An actuarial valuation of the benefits provided under the City of Knoxville Pension System was performed as of July 1, 2023. The purpose of the valuation was to determine the funding requirements of the various components of the System, with the intention that funding requirements indicated by the valuation be used as the basis for contributions to the System for the fiscal year commencing July 1, 2024.

Below are key results from the valuation for all groups except for Division H.

	Gen. Gov.	Uniformed	Bd. of Ed.	Sub-Total
<b>Active Participants</b>	301	399	0	700
<b>Terminated due Refund</b>	0	0	0	0
<b>Deferred Vested Participants</b>	76	75	0	151
<b>Retired Participants</b>	658	743	557	1,958
<b>Total Number of Participants</b>	1,035	1,217	557	2,809
<b>2023-2024 Projected Payroll</b>	\$19,148,071	\$31,120,707	\$0	\$50,268,778
<b>Actuarial Value of Assets</b>	\$223,967,031	\$446,715,084	\$16,089,267	\$686,771,382
<b>Market Value of Assets</b>	\$206,939,356	\$415,590,450	\$13,891,651	\$636,421,457
<b>Recommended Contributions Beginning July 1, 2024</b>				
<b>Total</b>	\$7,396,795	\$20,936,500	\$1,981,326	\$30,314,621
<b>Amortization Payment</b>	\$5,869,375	\$15,216,175	\$1,981,326	\$23,066,876
<b>Normal Cost (\$)</b>	\$1,527,420	\$5,720,325	\$0	\$7,247,745
<b>Normal Cost (%)</b>	7.98%	18.38%	0.00%	
<b>Recommended Contributions Beginning July 1, 2023 (based on prior year report)</b>				
<b>Total</b>	\$7,135,977	\$19,988,034	\$2,090,952	\$29,214,963
<b>Amortization Payment</b>	\$5,555,996	\$14,208,794	\$2,090,952	\$21,855,742
<b>Normal Cost (\$)</b>	\$1,579,981	\$5,779,240	\$0	\$7,359,221
<b>Normal Cost (%)</b>	7.78%	18.26%	0.00%	

### Present Value of Accrued and Projected Benefits (Non Div H)

	Gen. Gov.	Uniformed	Bd. of Ed.	Sub-Total
<b>Active Accrued Benefits</b>	\$80,820,944	\$208,008,705	\$0	\$288,829,649
<b>Inactive Accrued Benefits</b>	\$201,374,802	\$399,684,531	\$37,050,529	\$638,109,862
<b>Defined Contribution Account</b>	\$3,865,817	\$0	\$0	\$3,865,817
<b>Total</b>	\$286,061,563	\$607,693,236	\$37,050,529	\$930,805,328
<b>Benefits for Future Service</b>	\$16,585,961	\$50,064,493	\$0	\$66,650,454
<b>Total Value of Projected Benefits</b>	\$302,647,524	\$657,757,729	\$37,050,529	\$997,455,782



## Summary of Key Results (Total)

An actuarial valuation of the benefits provided under the City of Knoxville Pension System was performed as of July 1, 2023. The purpose of the valuation was to determine the funding requirements of the various components of the System, with the intention that funding requirements indicated by the valuation be used as the basis for contributions to the System for the fiscal year commencing July 1, 2024.

Below are key results from the valuation for Division H and the Total System.

	Division H		Non-Div. H	
	Gen. Gov.	Uniformed	Sub-Total	Total
Active Participants	463	245	700	1,408
Terminated due Refund	155	64	0	219
Deferred Vested Participants	0	0	151	151
Retired Participants	0	1	1,958	1,959
<b>Total Number of Participants</b>	<b>618</b>	<b>310</b>	<b>2,809</b>	<b>3,737</b>
<b>2023-2024 Projected Payroll</b>	<b>\$23,230,182</b>	<b>\$13,457,164</b>	<b>\$50,268,778</b>	<b>\$86,956,124</b>
Actuarial Value of Assets	\$19,224,492	\$10,902,645	\$686,771,382	\$716,898,519
Market Value of Assets	\$18,039,147	\$10,278,391	\$636,421,457	\$664,738,995
<b>Recommended Contributions Beginning July 1, 2024</b>				
Total	\$2,103,251	\$1,834,565	\$30,314,621	\$34,252,437
Amortization Payment	(\$66,689)	(\$19,541)	\$23,066,876	\$22,980,646
Normal Cost (\$)	\$2,169,940	\$1,854,106	\$7,247,745	\$11,271,791
Normal Cost (%)	9.34%	13.78%		
<b>Recommended Contributions Beginning July 1, 2023 (based on prior year report)</b>				
Total	\$1,780,699	\$1,603,676	\$29,214,963	\$32,599,338
Amortization Payment	(\$42,690)	(\$42,640)	\$21,855,742	\$21,770,412
Normal Cost (\$)	\$1,823,389	\$1,646,316	\$7,359,221	\$10,828,926
Normal Cost (%)	8.79%	12.74%		

## Present Value of Accrued and Projected Benefits (Total)

	Division H		Non-Div. H	
	Gen. Gov.	Uniformed	Sub-Total	Total
Active Accrued Benefits	\$17,849,104	\$9,860,150	\$288,829,649	\$316,538,903
Inactive Accrued Benefits *	\$580,279	\$809,530	\$638,109,862	\$639,499,671
Defined Contribution Account	\$0	\$0	\$3,865,817	\$3,865,817
<b>Total</b>	<b>\$18,429,383</b>	<b>\$10,669,680</b>	<b>\$930,805,328</b>	<b>\$959,904,391</b>
Benefits for Future Service	\$39,958,980	\$44,389,153	\$66,650,454	\$150,998,587
<b>Total Value of Projected Benefits</b>	<b>\$58,388,363</b>	<b>\$55,058,833</b>	<b>\$997,455,782</b>	<b>\$1,110,902,978</b>

\* Includes refund of contributions due to non-vested participants.



## Summary of Gains and Losses

### Gains/(Losses) in Millions(\$)

Type	General Gov't	Div. H Gen. Gov't	Uniformed Bodies	Div. H Unif. Bodies	Board of Education	Total
Assets (Actual minus Expected MV)	\$ (1.31)	\$ (0.08)	\$ (2.07)	\$ (0.04)	\$ (0.25)	\$ (3.75)
Plan Experience						
Retirement/Termination	\$ (1.13)	\$ 0.22	\$ 0.82	\$ 0.19	\$ (0.02)	\$ 0.08
Deaths	\$ 2.12	\$ (0.02)	\$ 2.52	\$ 0.00	\$ 1.47	\$ 6.09
New Entrants	\$ 0.00	\$ (0.56)	\$ 0.00	\$ (0.28)	\$ 0.00	\$ (0.84)
Salary Increases	\$ 2.45	\$ 0.34	\$ (0.07)	\$ 0.11	\$ 0.00	\$ 2.83
Inactive Data Adjustments *	\$ (0.72)	\$ (0.29)	\$ (3.18)	\$ (0.72)	\$ (0.15)	\$ (5.06)
Disabled	\$ 0.02	\$ (0.02)	\$ 0.58	\$ 0.29	\$ 0.00	\$ 0.87
DROP Elections	\$ (0.29)	\$ 0.00	\$ (0.19)	\$ 0.00	\$ 0.00	\$ (0.48)
G1 to G2 Transfers	\$ (0.05)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.05)
Actual Benefit Payments	\$ (0.59)	\$ 0.77	\$ (0.61)	\$ 0.40	\$ 0.13	\$ 0.10
Other	\$ 0.13	\$ (0.44)	\$ 0.61	\$ (0.36)	\$ 0.00	\$ (0.06)
Total Plan Experience	\$ 1.94	\$ 0.00	\$ 0.48	\$ (0.37)	\$ 1.43	\$ 3.48
Plan Changes						
None	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Assumption Changes						
Change in interest rate	\$ (1.42)	\$ 0.00	\$ (3.39)	\$ 0.00	\$ (0.10)	\$ (4.91)
	\$ (1.42)	\$ 0.00	\$ (3.39)	\$ 0.00	\$ (0.10)	\$ (4.91)
Net Changes	\$ (0.79)	\$ (0.08)	\$ (4.98)	\$ (0.41)	\$ 1.08	\$ (5.18)

\* changes to benefit amount, benefit form of payment, spouse age, etc.

# Certification

## Legislative Background

Statement No. 25 of the Governmental Accounting Standards Board was amended by Statement No. 67 of the Governmental Accounting Standards Board. Statement No. 67 became effective for the plan's financial statements for the fiscal year beginning after June 15, 2013. Statement No. 67 establishes financial reporting standards for state and local government pension plans that are administered through trusts or equivalent arrangements. The objective of this statement is to improve the usefulness of the information included in pension plan reports.

The Governmental Accounting Standards Board amended Statement No. 27 with Statement No. 68; the effective date for Statement No. 68 is for the fiscal year beginning after June 15, 2014. The purpose of this report is to provide pertinent disclosure information relating to the Pension Plan for the fiscal year ending June 30, 2023 financial statements for the City of Knoxville. Statement No. 68 of the Governmental Accounting Standards Board requires the determination of the pension expense for the fiscal year ending June 30, 2024. Statement No. 68 shows the amounts of deferred outflows and inflows of resources related to the pensions from various sources.

## Purpose and Use

This report has been prepared exclusively for the City of Knoxville. Actuarial computations under Statements No. 67 and No. 68 are for purposes of fulfilling employer governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the statements. USI Consulting Group is not responsible for consequences resulting from the use of any part of this report without prior authorization or approval. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice. Determinations for other purposes, such as funding, bond ratings, or judging benefit security, may be significantly different from the results shown in this report.

Actuarial findings in this report are based on actuarial assumptions which reflect expected plan experience. Although the deviation of the actual future plan experience and the expected experience inherently creates some uncertainty with the results, in our opinion the actuarial assumptions reasonably reflect the expected future experience of the plan. In our opinion, the assumptions selected are not expected to have a significant bias. That is, the results shown should not be overly optimistic or pessimistic. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. All of these factors can result in the risk of volatility in the Net Pension Liability over time.

The actuarially calculated contribution is based on the methods and assumptions contained herein. The funded status of the plan would be different if market value of assets were used rather than actuarial value. The valuation of all benefits is based on the Entry Age Normal funding method. The actuarially determined contribution is generally based on the sum of the normal cost and a charge equivalent to a 19-year amortization of any current year's gains or losses, plus an additional charge for any amortization



payments remaining for gains or losses that had occurred in prior years. The normal cost represents the cost associated with one year of benefit accrual for active Plan participants plus plan expenses paid from the trust. The contribution policy is intended to fully amortize the unfunded liability in 19 years if all assumptions are realized.

## Data

The calculations shown in this report have been prepared using employee data, plan documentation, and plan assets furnished by the City of Knoxville as of June 30, 2023. While we have not audited the data, we have reviewed it for reasonableness and internal consistency, and to the best of our knowledge, there are no material limitations to the data provided. Summaries of the census data and plan provisions can be found in the Participant Data and Basis of Valuation sections of this report.

## Subsequent Events

We are unaware of any subsequent event after June 30, 2023 which would have a material effect on the results presented in this report.

## Assumptions, Methods, and Procedures

The results presented in this report comply with the assumptions, methods, and procedures under the Statements No. 67 and No. 68. For Statement 67 the results are based on the June 30, 2023 actuarial valuation date with a measurement date and reporting date of June 30, 2023. For Statement 68 the results are based on the June 30, 2023 actuarial valuation with a measurement date of June 30, 2023 and reporting date of June 30, 2024. The plan sponsor sets all actuarial assumptions. Statements No. 67 and No. 68 mandate the use of the Entry Age Normal actuarial funding method for the purposes of those statements.

## Changes in Plan Provisions, Actuarial Assumptions, and Actuarial Methods

The following change was made to the actuarial assumptions effective June 30, 2023 based on the July 1, 2021 experience study (see Summary of Actuarial Assumptions beginning on page 48 for details):

1. The investment return assumption was changed for non-Division H from 7.2% to 7.15% effective July 1, 2023. This rate will decrease by 5 basis points each year to a rate of 7.0% (will be reviewed further at next experience study in 2026).

Summaries of the plan provisions, actuarial assumptions and methods can be found in the Basis of Valuation section of this report.

## Plan Administration

The City of Knoxville Pension Board administers the City of Knoxville Pension System, a single employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City, as well as some members of the Board of Education. The Charter of the City of Knoxville grants the authority to establish and amend the benefit terms to the City of Knoxville Pension Board.



Management of the City of Knoxville Pension System is vested in the City of Knoxville Pension Board, which consists of nine members – four elected by plan members, one member appointed by the City Council who must be a resident of the City, two mayoral appointees who must be residents of the City and have pension and/or investment expertise, and the Finance Director and City Mayor, who serve as ex-officio members.

## Professional Qualifications

This report has been prepared under the supervision of Laura S. Stewart, a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and a consulting actuary with USI Consulting Group, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein. To the best of our knowledge this report has been prepared in accordance with generally accepted actuarial standards and our understanding of Government Accounting Standards Board Statements No. 67 and No. 68, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the actuarial report. We are not aware of any direct or material indirect financial interest or relationship that could create, or appear to create, a conflict of interest that would impair the objectivity of our work. The undersigned is available to provide supplemental information or explanation.



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Laura S. Stewart  
Fellow, Society of Actuaries  
Phone 629.895.7853

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September 14, 2023

Date

## Participant Data

### Participant Data by Plan

#### Active Plan Participants

	7/1/2023	7/1/2022	7/1/2021
<b>General Government</b>			
Division A	2	3	3
Division B	1	1	1
Division G-1	14	34	78
Division G-2	284	283	273
Division H - GG	463	404	402
Total	764	725	757
<b>Board of Education</b>			
Division A - Non-Teachers	0	1	1
<b>Uniformed Bodies</b>			
Division C	399	423	457
Division H - UB	245	243	208
Total	644	666	665
<b>Totals by Division</b>			
Division A	2	4	4
Division B	1	1	1
Division C	399	423	457
Division G-1	14	34	78
Division G-2	284	283	273
Division H - GG	463	404	402
Division H - UB	245	243	208
<b>Grand Total</b>	<b>1,408</b>	<b>1,392</b>	<b>1,423</b>



## Inactive Plan Participants

	7/1/2023	7/1/2022	7/1/2021
<b>General Government</b>			
Division A	44	49	57
Division B	11	14	15
Division G-1	156	157	153
Division G-2	504	484	474
Drop Elections G-1*	5	6	2
Drop Elections G-2*	14	26	26
Division H - GG**	155	0	0
Total	889	736	727
<b>Board of Education</b>			
Division A	458	495	516
Division B	99	112	122
Total	557	607	638
<b>Uniformed Bodies</b>			
Division C	737	715	696
Drop Elections*	24	37	42
Division F	57	63	73
Division H - UB**	65	1	0
Total	883	816	811
<b>Totals by Division</b>			
Division A	502	544	573
Division B	110	126	137
Division C	761	752	738
Division F	57	63	73
Division G-1	161	163	155
Division G-2	518	510	500
Division H - GG**	155	0	0
Division H - UB**	65	1	0
<b>Grand Total</b>	<b>2,329</b>	<b>2,159</b>	<b>2,176</b>

\* Delayed Retirement Option (DROP) participants are treated as inactive at the time they elect the DROP option. See Summary of Plan Provisions, sections 30 and 56 for further details concerning the DROP program.

\*\* For Division H - GG, 155 participants are non-vested but still due a refund of contributions. For Division H - UB, this count is 64.



## Schedule of Vesting - Active Participants

	Vesting Schedule	Total	Vested	Non-Vested
<b>General Government</b>				
Division A	5 year	2	2	0
Division B	5 year	1	1	0
Division G-1	5 year	14	14	0
Division G-2	5 year	284	284	0
Division H - GG	10 year	463	9	454
Total		764	310	454
<b>Uniformed Bodies</b>				
Division C	5 year	399	399	0
Division H - UB	10 year	245	1	244
Total		644	400	244
<b>Grand Total</b>		<b>1,408</b>	<b>710</b>	<b>698</b>

## Payroll Information

	7/1/2023	7/1/2022	7/1/2021
<b>General Government</b>			
Divisions A & B	\$149,264	\$218,423	\$195,630
Division G-1	\$966,149	\$2,167,945	\$4,573,841
Division G-2	\$18,032,658	\$17,927,404	\$15,198,393
Division H - GG	\$23,230,182	\$20,738,404	\$17,979,073
Total	\$42,378,253	\$41,052,176	\$37,946,937
<b>Board of Education</b>			
Division A	0	\$23,886	\$23,886
<b>Uniformed Bodies</b>			
Division C	\$31,120,707	\$31,648,970	\$28,873,241
Division H - UB	\$13,457,164	\$12,921,950	\$9,500,614
Total	\$44,577,871	\$44,570,920	\$38,373,855
<b>Grand Total</b>	<b>\$86,956,124</b>	<b>\$85,646,982</b>	<b>\$76,344,678</b>

## Reconciliation of Active Participant Data

	Gen. Gov.	G1	G2	H	HU	Bd. of Ed.	Uniform	Total
Included in July 1, 2022 Valuation	4	34	283	404	243	1	423	1,392
Change due to:								
New Entrants	-	-	-	124	30	-	-	154
Retirement	(1)	(1)	(2)	-	-	(1)	(5)	(10)
Drop Elections	-	(1)	(9)	-	-	-	(4)	(14)
Termination with Vested Benefit	-	(1)	(2)	-	-	-	(11)	(14)
Termination Non- Vested	-	-	-	(33)	(14)	-	-	(47)
Refund	-	-	(1)	(32)	(14)	-	(3)	(50)
Transfer	-	(17)	17	-	-	-	-	-
Death	-	-	(1)	-	-	-	-	(1)
Disabled	-	-	(1)	-	-	-	(1)	(2)
Rehire	-	-	-	-	-	-	-	-
Net Change	(1)	(20)	1	59	2	(1)	(24)	16
<b>Included in July 1, 2023 Valuation</b>	<b>3</b>	<b>14</b>	<b>284</b>	<b>463</b>	<b>245</b>	<b>-</b>	<b>399</b>	<b>1,408</b>

Note: above numbers are based on the information provided by the City.

## Reconciliation of Inactive Participant Data

	Gen. Gov.	H	HU	Bd. of Ed.	Uniform	Total
Included in July 1, 2022 Valuation	736	-	1	607	815	2,159
Change due to:						
New Retirees	4	-	-	1	5	10
Drop Elections	10	-	-	-	4	14
Termination with Vested Benefit	3	-	-	-	11	14
Termination due Refund	-	33	14	-	-	47
Prior Termination due Refund*	-	122	50	-	-	172
Refunds Paid	-	-	-	-	-	-
Death / Payments Expired	(20)	-	-	(51)	(18)	(89)
Disabled	1	-	-	-	1	2
Net Change	(2)	155	64	(50)	3	170
<b>Included in July 1, 2023 Valuation</b>	<b>734</b>	<b>155</b>	<b>65</b>	<b>557</b>	<b>818</b>	<b>2,329</b>

Note: above numbers are based on the information provided by the City.

\*Prior non-vested terminations who have not been refunded

## Schedule of Retiree Optional Forms

Retirement Option	General Government	H	HU	Board of Education	Uniformed Bodies	Total
<b>No Option (SLA)</b>	349	-	-	412	337	1,098
<b>Option A</b>						
Without Reinstatement						
50% Joint and Survivor	50	-	1	9	162	222
60% Joint and Survivor	-	-	-	-	17	17
75% Joint and Survivor	11	-	-	4	31	46
100% Joint and Survivor	58	-	-	44	100	202
With Reinstatement						
50% Joint and Survivor	73	-	-	24	4	101
75% Joint and Survivor	23	-	-	7	30	60
100% Joint and Survivor	58	-	-	36	51	145
<b>Option B</b>						
5 Year Certain	4	-	-	4	2	10
10 Year Certain	10	-	-	3	3	16
15 Year Certain	11	-	-	7	2	20
<b>Option C</b>						
Cash Refund	11	-	-	7	4	22
<b>Totals</b>	<b>658</b>	<b>-</b>	<b>1</b>	<b>557</b>	<b>743</b>	<b>1,959</b>

## Asset Information

### Establishment of Valuation Assets (Non Division H)

	General Government*	Uniformed Bodies	Board of Education	Sub-Total**
1. Assets (Market Value July 1, 2022)	\$199,081,639	\$ 402,008,168	\$ 16,334,012	\$ 617,423,819
2. Actual Contributions				
a. By Employees	\$ 1,146,072	\$ 1,944,258	\$ -	\$ 3,090,330
b. By City Dept.	\$ 6,222,654	\$ 17,800,555	\$ 2,240,000	\$ 26,263,209
3. Actual Benefit Payments	\$ 16,081,996	\$ 32,572,445	\$ 5,490,755	\$ 54,145,196
4. Base Established 7/1/2015	\$ (9,443,265)	\$ (19,474,599)	\$ (2,783,141)	\$ (31,701,005)
5. Base Established 7/1/2016	\$ (12,595,526)	\$ (24,996,931)	\$ (2,860,218)	\$ (40,452,675)
6. Base Established 7/1/2017	\$ 8,374,962	\$ 16,037,971	\$ 1,432,544	\$ 25,845,477
7. Base Established 7/1/2018	\$ (1,908,627)	\$ (2,787,181)	\$ (266,508)	\$ (4,962,316)
8. Base Established 7/1/2019	\$ (4,075,456)	\$ (7,156,353)	\$ (735,191)	\$ (11,967,000)
9. Base Established 7/1/2020	\$ (9,748,365)	\$ (18,454,236)	\$ (1,263,909)	\$ (29,466,510)
10. Base Established 7/1/2021	\$ 26,992,770	\$ 55,117,572	\$ 2,705,743	\$ 84,816,085
11. Base Established 7/1/2022	\$ (31,422,433)	\$ (62,425,372)	\$ (2,766,166)	\$ (96,613,971)
12. Sum of Unrecognized Bases (.8*(11)+.7*(10)+.6*(9)+.5*(8)+.4*(7)+.3*(6)+.2*(5)+.1*(4))	\$ (15,844,148)	\$ (29,259,043)	\$ (1,972,051)	\$ (47,075,242)
13. Net Non-Investment Transactions ((2)-(3))	\$ (8,713,270)	\$ (12,827,632)	\$ (3,250,755)	\$ (24,791,657)
14. Expected Assets July 1, 2023 ((1)*1.072+(13)*1.036)	\$ 204,388,569	\$ 417,663,329	\$ 14,142,279	\$ 636,194,177
15. Assets (Market Value July 1, 2023)	\$ 203,073,539	\$ 415,590,450	\$ 13,891,651	\$ 632,555,640
16. Base Established July 1, 2023 ((15)-(14))	\$ (1,315,030)	\$ (2,072,879)	\$ (250,628)	\$ (3,638,537)
17. Valuation Assets July 1, 2023 ((15)-.9*(16)-(12))	\$ 220,101,214	\$ 446,715,084	\$ 16,089,267	\$ 682,905,565
18. 80% of Market Value of Assets (.8*(15))	\$ 162,458,831	\$ 332,472,360	\$ 11,113,321	\$ 506,044,512
19. 120% of Market Value of Assets (1.2*(15))	\$ 243,688,247	\$ 498,708,540	\$ 16,669,981	\$ 759,066,768
20. Valuation Assets limited to 20% corridor of MVA	\$ 220,101,214	\$ 446,715,084	\$ 16,089,267	\$ 682,905,565
21. G1 Supplemental Account	\$ 3,865,817	\$ -	\$ -	\$ 3,865,817
22. Valuation Assets July 1, 2023 ((20) + (21))	\$ 223,967,031	\$ 446,715,084	\$ 16,089,267	\$ 686,771,382

\*General Gov't base is calculated excluding the G1 Supplemental Account. See page after next for reconciliation.

\*\*Pension System without regard to Division H. See next page for Division H and Total System.



## Establishment of Valuation Assets (Total System)

	Non-Div H Sub-Total	Div H General Government	Div H Uniformed Bodies	Total System
1. Assets (Market Value July 1, 2022)	\$ 617,423,819	\$ 14,000,435	\$ 7,444,077	\$ 638,868,331
2. Actual Contributions				
a. By Employees	\$ 3,090,330	\$ 1,318,346	\$ 762,970	\$ 5,171,646
b. By City Dept.	\$ 26,263,209	\$ 1,989,059	\$ 1,646,819	\$ 29,899,087
3. Actual Benefit Payments	\$ 54,145,196	\$ 306,076	\$ 155,607	\$ 54,606,879
4. Base Established 7/1/2015	\$ (31,701,005)	\$ (56,679)	\$ (13,816)	\$ (31,771,500)
5. Base Established 7/1/2016	\$ (40,452,675)	\$ (101,084)	\$ (20,357)	\$ (40,574,116)
6. Base Established 7/1/2017	\$ 25,845,477	\$ 72,758	\$ 15,956	\$ 25,934,191
7. Base Established 7/1/2018	\$ (4,962,316)	\$ (94,655)	\$ (36,785)	\$ (5,093,756)
8. Base Established 7/1/2019	\$ (11,967,000)	\$ (109,429)	\$ (31,166)	\$ (12,107,595)
9. Base Established 7/1/2020	\$ (29,466,510)	\$ (420,033)	\$ (174,682)	\$ (30,061,225)
10. Base Established 7/1/2021	\$ 84,816,085	\$ 1,392,747	\$ 654,665	\$ 86,863,497
11. Base Established 7/1/2022	\$ (96,613,971)	\$ (2,175,985)	\$ (1,141,817)	\$ (99,931,773)
12. Sum of Unrecognized Bases (.8*(11)+.7*(10)+.6*(9)+.5*(8)+.4*(7)+.3*(6)+.2*(5)+.1*(4))	\$ (47,075,242)	\$ (1,114,519)	\$ (590,961)	\$ (48,780,722)
13. Net Non-Investment Transactions ((2)-(3))	\$ (24,791,657)	\$ 3,001,329	\$ 2,254,182	\$ (19,536,146)
14. Expected Assets July 1, 2023 ((1)*1.072+(13)*1.036)	\$ 636,194,177	\$ 18,117,844	\$ 10,315,383	\$ 664,627,404
15. Assets (Market Value July 1, 2023)	\$ 632,555,640	\$ 18,039,147	\$ 10,278,391	\$ 660,873,178
16. Base Established July 1, 2023 ((15)-(14))	\$ (3,638,537)	\$ (78,696)	\$ (36,992)	\$ (3,754,225)
17. Valuation Assets July 1, 2023 ((15)-.9*(16)-(12))	\$ 682,905,565	\$ 19,224,492	\$ 10,902,645	\$ 713,032,702
18. 80% of Market Value of Assets (.8*(15))	\$ 506,044,512	\$ 14,431,318	\$ 8,222,713	\$ 528,698,543
19. 120% of Market Value of Assets (1.2*(15))	\$ 759,066,768	\$ 21,646,976	\$ 12,334,069	\$ 793,047,813
20. Valuation Assets limited to 20% corridor of MVA	\$ 682,905,565	\$ 19,224,492	\$ 10,902,645	\$ 713,032,702
21. G1 Supplemental Account	\$ 3,865,817	\$ -	\$ -	\$ 3,865,817
22. Valuation Assets July 1, 2023 ((20) + (21))	\$ 686,771,382	\$ 19,224,492	\$ 10,902,645	\$ 716,898,519

## Reconciliation of Market Value of Valuation Assets

	Defined Contribution Assets (G1)	Defined Benefit Assets	Total
1. Assets (Market Value July 1, 2022)	\$ 4,284,020	\$ 638,868,331	\$ 643,152,351
2. Contributions			
a. By Employees	\$ 40,539	\$ 5,171,646	\$ 5,212,185
b. By City Dept.	\$ 20,270	\$ 29,899,087	\$ 29,919,357
3. Investment Income	\$ 430,164	\$ 45,397,898	\$ 45,828,062
4. Disbursements to Employees and Beneficiaries	\$ 909,176	\$ 54,606,879	\$ 55,516,055
5. Expenses	\$ -	\$ 3,082,913	\$ 3,082,913
6. Audit Adjustments	\$ -	\$ (773,992)	\$ (\$773,992)
7. Assets (Market Value July 1, 2023) (1)+(2)+(3)-(4)-(5)+(6)	\$ 3,865,817	\$ 660,873,178	\$ 664,738,995



## Historical Rates of Investment Return

The following table shows the approximate annual rates of total investment return for the indicated plan years:

<b><u>Plan</u></b> <b><u>Year End</u></b>	<b><u>Approximate</u></b> <b><u>Return</u></b>	<b><u>Average</u></b> <b><u>Return*</u></b>	<b><u>Plan</u></b> <b><u>Year End</u></b>	<b><u>Approximate</u></b> <b><u>Return</u></b>	<b><u>Average</u></b> <b><u>Return*</u></b>
June 30, 2023	6.8%	6.8%	June 30, 2013	14.2%	7.1%
June 30, 2022	-7.8%	-0.8%	June 30, 2012	0.7%	6.5%
June 30, 2021	21.8%	6.2%	June 30, 2011	25.1%	7.9%
June 30, 2020	2.1%	5.2%	June 30, 2010	14.5%	8.3%
June 30, 2019	5.0%	5.2%	June 30, 2009	-18.6%	6.3%
June 30, 2018	6.4%	5.4%	June 30, 2008	-6.3%	5.4%
June 30, 2017	12.7%	6.4%	June 30, 2007	17.1%	6.1%
June 30, 2016	0.0%	5.6%	June 30, 2006	10.9%	6.4%
June 30, 2015	1.8%	5.1%	June 30, 2005	10.1%	6.5%
June 30, 2014	18.3%	6.4%	June 30, 2004	17.9%	7.1%

\*For 1 year, 2 years, 3 years, etc.

## Funding Calculation

### Calculation of Required Contribution Rates (Non Division H)

Calculation of 2023-2024 Contribution Rates	Non Division H	
	Gen. Gov.	Unifomed
1. Actuarial Accrued Liability	\$286,061,563	\$607,693,236
2. Actuarial Asset Value	\$ 223,967,031	\$ 446,715,084
3. Unfunded Accrued Liability	\$ 62,094,532	\$ 160,978,152
4. Amortization Years	19	19
5. Amortization of Unfunded Accrued Liability	\$ 5,670,166	\$ 14,699,731
6. Entry Age Normal Cost	\$ 1,475,579	\$ 5,526,175
7. Preliminary Contribution ((5)+(6))	\$ 7,145,745	\$ 20,225,906
8. Recommended Contribution (mid-year payment) ((7) * 1.0715 <sup>.5</sup> )	\$ 7,396,795	\$ 20,936,500
9. 2023-2024 Projected Payroll	\$ 19,148,071	\$ 31,120,707
10. Recommended Contribution as a Percent of Pay ((8)/(9))	38.63%	67.28%

#### Board of Education

Present Value of Benefits	\$ 37,050,529
Assets on Hand	\$ 16,089,267
Unfunded Liability	\$ 20,961,262
19-year amortization of Unfunded Liability	\$ 1,914,079
Interest on amortization to mid-year	\$ 67,247
Total Recommended Contribution	\$ 1,981,326



## Calculation of Required Contribution Rates (Division H)

Calculation of 2023-2024 Contribution Rates	Division H	
	Gen. Gov.	Uniformed
1. Actuarial Accrued Liability	\$18,429,383	\$10,669,680
2. Actuarial Asset Value	\$19,224,492	\$10,902,645
3. Unfunded Accrued Liability	\$ (795,109)	\$ (232,965)
4. Amortization Years	19	19
5. Amortization of Unfunded Accrued Liability	\$ (64,928)	\$ (19,024)
6. Entry Age Normal Cost	\$ 2,112,621	\$ 1,805,129
7. Preliminary Contribution ((5)+(6))	\$ 2,047,693	\$ 1,786,105
8. Recommended Contribution (mid-year payment) ((7) * 1.055 <sup>.5</sup> )	\$ 2,103,251	\$ 1,834,565
9. 2023-2024 Projected Payroll	\$23,230,182	\$13,457,164
10. Recommended Contribution as a Percent of Pay ((8)/(9))	9.05%	13.63%



## Historical Actuarial Accrued Liability by Group

General Government					
Year	Active	Deferred Vested	Retiree / Beneficiary	DC Account	Total
2023	\$98,670,048	\$16,559,590	\$185,395,491	\$3,865,817	\$304,490,946
2022	\$94,865,449	\$19,602,915	\$177,111,294	\$4,284,020	\$295,863,678
2021	\$82,773,388	\$15,456,225	\$167,597,127	\$7,048,879	\$272,875,619
2020	\$82,236,385	\$15,228,785	\$159,985,168	\$5,952,310	\$263,402,648
2019	\$80,358,550	\$20,719,609	\$149,370,694	\$6,689,722	\$257,138,574
2018	\$79,594,564	\$16,307,946	\$145,769,795	\$7,039,181	\$248,711,486
2017	\$82,058,456	\$13,754,859	\$137,165,905	\$7,713,762	\$240,692,982
2016	\$76,912,412	\$12,331,890	\$133,997,984	\$7,134,145	\$230,376,431
2015	\$76,893,289	\$13,942,259	\$123,869,788	\$7,579,305	\$222,284,641
2014	\$74,590,838	\$18,784,047	\$114,858,103	\$8,219,060	\$216,452,048

Uniformed Bodies				
Year	Active	Deferred Vested	Retiree / Beneficiary	Total
2023	\$217,868,855	\$36,309,210	\$364,184,851	\$618,362,916
2022	\$204,881,228	\$40,923,724	\$350,034,422	\$595,839,374
2021	\$174,948,282	\$42,385,547	\$325,584,547	\$542,918,376
2020	\$176,706,215	\$40,001,991	\$308,868,914	\$525,577,120
2019	\$181,075,287	\$32,044,944	\$297,760,266	\$510,880,497
2018	\$175,300,975	\$25,263,320	\$291,056,928	\$491,621,223
2017	\$171,764,538	\$24,407,745	\$280,463,590	\$476,635,873
2016	\$161,714,140	\$23,424,466	\$263,554,758	\$448,693,364
2015	\$159,431,244	\$14,545,955	\$256,658,404	\$430,635,603
2014	\$150,811,087	\$7,806,542	\$258,669,933	\$417,287,562

Board of Education				
Year	Active	Deferred Vested	Retiree / Beneficiary	Total
2023	\$0	\$0	\$37,050,529	\$37,050,529
2022	\$17,580	\$0	\$41,091,014	\$41,108,594
2021	\$17,461	\$0	\$42,278,627	\$42,296,088
2020	\$71,818	\$0	\$46,983,965	\$47,055,783
2019	\$70,855	\$0	\$50,471,242	\$50,542,097
2018	\$69,624	\$0	\$54,235,823	\$54,305,447
2017	\$71,652	\$24,858	\$58,451,676	\$58,548,186
2016	\$126,258	\$56,041	\$59,932,956	\$60,115,255
2015	\$123,682	\$247,932	\$63,548,580	\$63,920,194
2014	\$210,915	\$266,450	\$68,808,204	\$69,285,569



## Historical Actuarial Accrued Liability Total

Pension System Total					
Year	Active	Deferred Vested	Retiree / Beneficiary	DC Account	Total
2023	\$316,538,903	\$52,868,800	\$586,630,871	\$3,865,817	\$959,904,391
2022	\$299,764,257	\$60,526,639	\$568,236,730	\$4,284,020	\$932,811,646
2021	\$257,739,131	\$57,841,772	\$535,460,301	\$7,048,879	\$858,090,083
2020	\$259,014,418	\$55,230,776	\$515,838,047	\$5,952,310	\$836,035,551
2019	\$261,504,692	\$52,764,553	\$497,602,202	\$6,689,722	\$818,561,168
2018	\$254,965,163	\$41,571,266	\$491,062,546	\$7,039,181	\$794,638,156
2017	\$253,894,646	\$38,187,462	\$476,081,171	\$7,713,762	\$775,877,041
2016	\$238,752,810	\$35,812,397	\$457,485,698	\$7,134,145	\$739,185,050
2015	\$236,448,215	\$28,736,146	\$444,076,772	\$7,579,305	\$716,840,438
2014	\$225,612,840	\$26,857,039	\$442,336,240	\$8,219,060	\$703,025,179



## GASB Disclosure

### GASB Statement No. 67

This section presents specific information required under Statement No. 67 which is not included in other sections of this report. The information in this report is to satisfy the reporting for the pension plan. This section contains the following:

- Statement of Fiduciary Net Position
- Statement of Change in Fiduciary Net Position
- Investment Information
- Net Pension Liability including discount rate sensitivity and reconciliation between years
- Schedule of Contributions
- Schedule of Investments

Fiduciary Net Position is the amount of assets available for benefits in the Pension Plan.

Total Pension Liability is the plan liability determined using assumptions listed in the Summary of Actuarial Assumptions.

Net Pension Liability is the difference in the Total Pension Liability and the Fiduciary Net Position.



## Statement of Fiduciary Net Position (unaudited)

	<u>June 30, 2023</u>
<b>Assets</b>	
Cash	\$1,774
Cash Equivalents	<u>9,646,724</u>
Total Cash	<u>9,648,498</u>
Receivables:	
Investment Income	<u>1,286,230</u>
Total Receivables	<u>1,286,230</u>
Investments:	
Corporate Bonds	50,311,080
Government Bonds	83,494,351
US Equities	256,052,002
International	190,752,469
Real Estate	<u>75,338,541</u>
Total Investments:	<u>655,948,443</u>
Total Assets	<u>666,883,171</u>
 <b>Liabilities</b>	
Payables:	
Accounts Payable	344,149
Purchases Payable	<u>1,800,027</u>
Total Liabilities	<u>2,144,176</u>
 <b>Net Position Restricted for Pensions</b>	 <u><u>\$664,738,995</u></u>



## Statement of Changes in Fiduciary Net Position (unaudited)

	<u>June 30, 2023</u>
<b>Additions</b>	
Contributions:	
Employer	\$29,919,357
Employee	<u>5,212,185</u>
Total Contributions	35,131,542
Investment Income	<u>45,828,062</u>
Total Additions	<u>80,959,604</u>
 <b>Deductions</b>	
Benefit Payments	(54,682,378)
Refunds	(833,677)
Administrative Expenses	(3,082,913)
Audit Adjustments	<u>(773,992)</u>
Total Deductions	<u>(59,372,960)</u>
Net Increase in Net Position	<u>21,586,644</u>
 <b>Net Position Restricted for Pensions</b>	
Beginning of Year	<u>\$643,152,351</u>
End of Year	<u><u>\$664,738,995</u></u>



## Investment Information

### *Investment Policy*

To be supplied by the Pension Board under separate cover.

### *Concentrations*

If the plan held investments (other than those issued / guaranteed by US government) in any one organization that represent 5 percent or more of the pension plan's fiduciary net position, disclose information required by paragraph 30(b)(3).

### *Rate of Return*

For the year ended June 30, 2023, the annual money-weighted rate of return based on monthly cash flows on pension plan investments, net of pension plan investment expense, was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### *Reserves*

If the plan had reserves, disclose information required by paragraph 30(e): 1) a description of the policy related to such reserves, 2) the authority under which the policy was established and may be amended, 3) the purposes for and conditions under which the reserves are required or permitted to be used, 4) the balances of the reserves.

### *Deferred Retirement Option Program*

See paragraph 30 on page 33 and paragraph 56 on page 40 for a description of the DROP program. The balance of accounts held by the pension plan pursuant to the DROP program as of June 30, 2023 is approximately \$3.16 million.



## Net Pension Liability (NPL)

### *Determination of Net Pension Liability*

The components of the net pension liability at June 30, 2023 were as follows:

Total Pension Liability	\$959,904,391
Plan Fiduciary Net Position	<u>(664,738,995)</u>
Net Pension Liability	<u><u>\$295,165,396</u></u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.25%
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### *Sensitivity of Net Pension Liability to Changes in the Discount Rate*

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.15%)*	Current Rate (7.15%)*	1% Increase (8.15%)*
Net Pension Liability	\$410,422,303	\$295,165,396	\$199,357,516

\* For Division H, Current Rate is 5.5%; 1% Decrease is 4.5%; 1% Increase is 6.5%



## Schedule of Changes in the NPL and Related Ratios

(Dollar amounts in millions)

	Fiscal Year Ending June 30									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total Pension Liability</b>										
Service cost	\$12.3	\$12.6	\$13.1	\$13.1	\$13.0	\$13.0	\$13.2	\$13.4	\$13.5	\$15.7
Interest	49.4	50.9	51.8	52.5	55.1	56.4	57.9	59.1	60.2	65.5
Changes of benefit terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Differences between expected and actual experience	0.9	(6.1)	2.1	(3.7)	(1.9)	2.1	(2.6)	2.1	29.2	(3.5)
Changes of assumptions	0.0	0.0	0.0	21.0	0.0	0.0	0.0	0.0	25.5	4.9
Benefit Payments / Refunds	(42.3)	(43.5)	(44.7)	(46.2)	(47.5)	(47.5)	(51.1)	(52.5)	(53.7)	(55.5)
<b>Net Change in Total Pension Liability</b>	20.3	13.8	22.3	36.7	18.8	24.0	17.4	22.1	74.7	27.1
<b>Total Pension Liability - beginning</b>	682.7	703.0	716.8	739.2	775.9	794.6	818.6	836.0	858.1	932.8
<b>Total Pension Liability - ending (a)</b>	<u>\$703.0</u>	<u>\$716.8</u>	<u>\$739.2</u>	<u>\$775.9</u>	<u>\$794.6</u>	<u>\$818.6</u>	<u>\$836.0</u>	<u>\$858.1</u>	<u>\$932.8</u>	<u>\$959.9</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$15.2	\$22.6	\$23.9	\$23.8	\$25.7	\$28.7	\$29.2	\$28.9	\$28.7	\$29.9
Contributions - employee	4.0	4.1	2.0	4.4	4.2	4.3	4.4	4.4	4.5	5.2
Credit balance	5.6	5.6	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net investment income	86.3	9.8	0.0	65.9	39.5	32.7	16.6	132.5	(51.6)	45.8
Benefit Payments / Refunds	(42.3)	(43.5)	(44.7)	(46.2)	(47.5)	(47.5)	(51.1)	(52.5)	(53.7)	(55.5)
Administrative expenses	(2.3)	(3.8)	(3.2)	(3.3)	(3.5)	(3.3)	(4.1)	(3.4)	(3.6)	(3.0)
Other	(0.0)	0.6	0.9	0.0	0.0	0.9	0.7	1.9	5.8	(0.8)
<b>Net Change in Plan Fiduciary Net Position</b>	\$66.6	(\$4.6)	(\$16.6)	\$44.6	\$18.4	\$15.8	(\$4.3)	\$111.8	(\$69.9)	\$21.6
<b>Plan Fiduciary Net Position - beginning</b>	479.8	546.3	541.8	525.2	571.2	589.7	605.5	601.2	713.0	643.1
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$546.3</u>	<u>\$541.8</u>	<u>\$525.2</u>	<u>\$571.2</u>	<u>\$589.7</u>	<u>\$605.5</u>	<u>\$601.2</u>	<u>\$713.0</u>	<u>\$643.1</u>	<u>\$664.7</u>
<b>Net Pension Liability - ending (a) - (b)</b>	<u>\$156.7</u>	<u>\$175.1</u>	<u>\$214.0</u>	<u>\$204.7</u>	<u>\$204.9</u>	<u>\$213.1</u>	<u>\$234.8</u>	<u>\$145.1</u>	<u>\$289.7</u>	<u>\$295.2</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	77.7%	75.6%	71.0%	73.6%	74.2%	74.0%	71.9%	83.1%	68.9%	69.3%
Covered-employee payroll	\$69.9	\$71.0	\$71.5	\$72.6	\$72.0	\$73.7	\$74.5	\$76.3	\$85.6	\$87.0
Net Pension Liability as a % of covered-employee payroll	224.3%	246.6%	299.4%	281.8%	284.6%	289.2%	315.0%	190.0%	338.2%	339.4%

## Notes to Schedule

See Summary of Plan Provisions for notes regarding benefit changes. See Summary of Actuarial Assumptions and Methods for notes regarding changes in assumptions.



## Schedule of Contributions

(Dollar amounts in millions)

	Fiscal Year Ending June 30									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution *	\$20.9	\$22.6	\$23.9	\$23.8	\$25.7	\$28.7	\$29.2	\$28.9	\$28.7	\$29.9
Contributions in relation to the actuarially determined contribution	20.9	22.6	23.9	23.8	25.7	28.7	29.2	28.9	28.7	29.9
Contribution deficiency (excess)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Covered-employee payroll	\$69.9	\$71.0	\$71.5	\$72.6	\$72.0	\$73.7	\$74.5	\$76.3	\$85.6	\$87.0
Contributions as a percentage of covered-employee payroll	29.8%	31.8%	33.4%	32.8%	35.7%	39.0%	39.1%	37.9%	33.5%	34.4%

\* 2014 contribution includes credit balance application of \$5.6 million

### Notes to Schedule

See Summary of Actuarial Assumptions and Methods for details regarding methods and assumptions used to determine contribution rates.

## Schedule of Investment Returns

	Fiscal Year Ending June 30									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Annual money-weighted rate of return, net of investment expense	18.24%	1.52%	-0.11%	12.10%	6.32%	5.54%	2.04%	22.10%	-7.60%	7.01%



## GASB Statement No. 68

This section presents specific information required under Statement No. 68 which is not included in other sections of this report. The information in this report is to satisfy the reporting for the pension plan. This section contains the following:

- Schedule of Changes in Net Pension Liability, Deferrals, and Pension Expense
- Pension Expense
- Deferred Outflows and Inflows of Resources



## Schedule of Changes in Net Pension Liability, Deferrals, and Pension Expense

	Increase (Decrease)					
	Total Pension Liability	Plan Net Position	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
	(a)	(b)	(a) - (b)			
<b>Balances--at 06/30/2022</b>	<u>\$932,811,646</u>	<u>\$643,152,351</u>	<u>\$289,659,295</u>	<u>\$152,050,461</u>	<u>(\$53,387,867)</u>	
<b>Changes for the Year:</b>						
Service cost	15,698,025		15,698,025			15,698,025
Interest expense	65,485,749		65,485,749			65,485,749
Benefit changes						
Experience losses (gains)	(3,483,518)		(3,483,518)		(2,985,873)	(497,645)
Changes of assumptions	4,908,544		4,908,544	4,207,323		701,221
Contributions--City		29,919,357	(29,919,357)			
Contributions--members		5,212,185	(5,212,185)			(5,212,185)
Net investment income		45,828,062	(45,828,062)			
Expected return on plan investments						(49,019,601)
Current expense of asset gain/loss						638,308
Non expensed asset (gain)/loss				2,553,231		
Refunds of contributions	(833,677)	(833,677)	0			
Benefits paid	(54,682,378)	(54,682,378)	0			
Plan administrative expenses		(3,082,913)	3,082,913			3,082,913
Recognition of Prior Post-measurement Contribution				(28,797,958)		
Post-measurement Contribution				32,599,338		
Difference in prior year's contribution				(211,876)		
Other changes		(773,992)	773,992			
Amortization of or change in beginning balances				(41,250,628)	18,228,794	23,021,834
<b>Net Changes</b>	<u>27,092,745</u>	<u>21,586,644</u>	<u>5,506,101</u>	<u>(30,900,570)</u>	<u>15,242,921</u>	<u>53,898,619</u>
<b>Balances--at 06/30/2023</b>	<u>\$959,904,391</u>	<u>\$664,738,995</u>	<u>\$295,165,396</u>	<u>\$121,149,891*</u>	<u>(\$38,144,946)</u>	<u>\$53,898,619</u>

GASB Statement No. 71 requires contributions between the measurement date (June 30, 2023) and the disclosure date (June 30, 2024) for Statement No. 68 to be reported as a deferred outflow of resources.

\* Deferred Pension Outflows includes deferred losses of \$117,348,511 plus difference in expected contributions of \$3,801,380



## Pension Expense

	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2023
Service cost	\$13,550,520	\$15,698,025
Interest	60,175,297	65,485,749
Benefit changes	0	0
Contributions--members	(4,469,140)	(5,212,185)
Expected investment return	(54,628,767)	(49,019,601)
Recognition of Deferred Inflows/Outflows of Resources		
Experience gains or losses	3,566,518	3,068,872
Investment gains or losses	13,784,271	13,460,757
Assumption changes or inputs	6,632,866	7,334,089
Plan administrative expenses	3,551,633	3,082,913
<b>Pension Expense</b>	<b>\$42,163,198</b>	<b>\$53,898,619</b>

## Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the recognized pension expense will be \$53,898,619. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	Original Amount	Date Established	Original Amortization Period (Years)	Recognized Annually in Expense	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses (gains)	(\$3,676,044)	June 30, 2018	7.0	(\$525,150)	\$0	\$0
	(1,867,674)	June 30, 2019	6.0	(311,279)	0	0
	2,137,323	June 30, 2020	7.0	305,332	610,663	0
	(2,620,420)	June 30, 2021	7.0	(374,346)	0	1,123,036
	2,107,579	June 30, 2022	7.0	301,083	1,204,330	0
	29,196,138	June 30, 2023	7.0	4,170,877	20,854,384	0
	(3,483,518)	June 30, 2024	7.0	(497,645)	0	2,985,873
Total Experience losses (gains)				\$3,068,872	\$22,669,377	\$4,108,909
Changes of assumptions	\$20,965,499	June 30, 2018	7.0	2,995,073	\$0	\$0
	25,464,566	June 30, 2023	7.0	3,637,795	18,188,976	0
	4,908,544	June 30, 2024	7.0	701,221	4,207,323	0
Total Changes of assumptions				\$7,334,089	\$22,396,299	\$0
Investment losses (gains)	\$12,983,916	June 30, 2020	5.0	\$2,596,784	\$0	\$0
	30,003,622	June 30, 2021	5.0	6,000,724	6,000,726	0
	(85,090,094)	June 30, 2022	5.0	(17,018,019)	0	34,036,037
	106,214,798	June 30, 2023	5.0	21,242,960	63,728,878	0
	3,191,539	June 30, 2024	5.0	638,308	2,553,231	0
Total Investment losses (gains)				\$13,460,757	\$72,282,835	\$34,036,037
<b>Total</b>				<b>\$23,863,718</b>	<b>\$117,348,511</b>	<b>\$38,144,946</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2025	\$19,108,292
2026	13,107,566
2027	29,820,253
2028	8,951,636
2029	8,012,248
Thereafter	\$203,570



## Additional Information Regarding GASB Disclosure

### *Current Notes:*

1. The City continues to pursue a conservative policy regarding contributions to ensure that all benefits are properly funded.
2. As a result of the July 1, 2021 experience study, the following assumption updates were incorporated beginning July 1, 2022:
  - Changing mortality for all groups
  - Changing investment return from 7.25% to 7.20% (for all except Division H) effective July 1, 2022, decreasing by 5 basis points each year to a rate of 7.00% (current rate is 7.15%)

For a summary of assumptions in effect prior to July 1, 2022, see the City of Knoxville Valuation and Report as of July 1, 2021.

3. Effective July 1, 2013, Division H provisions have been incorporated into the valuation. All new hires participate in Division H effective January 1, 2013. The investment return assumption for Division H is 5.50%.
4. GASB 67 replaces GASB 25 effective for the fiscal year ending June 30, 2014. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
5. GASB 68 replaces GASB 27 effective for the fiscal year ending June 30, 2015. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the first year of application (ending June 30, 2015), the measurement date is June 30, 2014 (as is the valuation date).

### *Historical Notes:*

1. Effective July 1, 1999, the Knoxville Utilities Board (KUB) split-off into its own plan and is no longer part of the City of Knoxville Pension System. Historical information in this disclosure does reflect KUB, to be consistent with prior disclosures. KUB will not be included in current or future year disclosures for the Pension System.
2. Effective January 6, 2001, Plan F liabilities are combined with Division C. The schedule of funding progress has been broken down by employee group beginning July 1, 2001 to show the specific impact on the unfunded bodies (Division C/Plan F).
3. Effective July 1, 2004, the board adopted a funding policy to contribute at least 40% of the real cost (entry age cost) but no more than a) the prior year percent of payroll plus 2% or b) 120% of the prior year percent of payroll, if more.
4. Effective July 1, 2007, liabilities are calculated for GASB and funding purposes under the Entry Age Normal funding method.
5. Effective July 1, 2007, asset gains and losses are smoothed over 10 years.
6. As a result of the July 1, 2016 experience study, the following assumption updates were incorporated beginning July 1, 2017:
  - Changing mortality for all groups except Division H-GG and Division H-UB
  - Changing salary increase rates
  - Changing investment return from 7.375% to 7.25% (for all except Division H)

For a summary of assumptions in affect prior to and after July 1, 2017, see the City of Knoxville Valuation and Report as of July 1, 2017.



## Basis of Valuation

### Summary of Plan Provisions

This Section summarizes the provisions of the City of Knoxville Pension System. Please note that items 1-15 of this Section related Division A of the System and items 16-27 related to Division B have been removed and may be referenced in the July 1, 2018 report. Items 28-42 relate to Division C; items 43-56 relate to Division G. Items 57-64 of this Section related Division F of the System have been removed and may be referenced in the July 1, 2018 report. Items 65-82 relate to Division H – General Government; items 83-100 relate to Division H – Uniformed Bodies. The references to "Sections" at the end of each heading refer to Sections of the Charter of the City of Knoxville.

#### **Division A (Items 1-15 have been removed; see July 1, 2018 valuation)**

#### **Division B (Items 16-27 have been removed; see July 1, 2018 valuation)**

#### **Division C**

##### *28. Eligibility (Sections 1390.1 and 1390.3)*

All firemen and policemen regularly employed by the City of Knoxville who were members of Division A on January 2, 1971, the effective date of Division C (except meter maids, park policemen and firemen, crossing guards and auxiliary police), and who elected to transfer to Division C are eligible to participate. Firemen and policemen employed after January 2, 1971 and prior to January 1, 2013 participate in the plan as a condition of employment.

##### *29. Normal Retirement (Sections 1390.1(J), 1390.6, 1390.7, and 1390.8)*

A member may retire after completing 25 years of total service and attaining age 50.

The monthly retirement benefit payable for life is as follows:

2.4% of the member's average salary for each year of service, subject to a maximum of 30 years of service, for retirements commencing on or after January 3, 1999 and before January 6, 2001.

2.5% of the member's average salary for each complete year and month of service, subject to a maximum of 30 years of service, for retirements commencing on or after January 6, 2001.

"Average salary" means the member's average annual salary during the two years of service, whether consecutive or not, in which the member received the highest annual salary.

##### *30. Delayed Retirement Option (Section 1390.22)*

On or after December 31, 2000, a Division C member eligible for Normal Retirement may elect a delayed retired date, not more than 24 months after the date of election. The monthly benefit payable beginning on the delayed retirement date will be the same as would have been payable had the member retired on the election date except that a single sum amount shall also be paid. The amount of the single sum payment will be equal to the monthly payment times the number of



months from the election date to the delayed retirement date plus any cost-of-living increases which are effective during the DROP period.

**31. *Minimum Benefits (Section 1390.9)***

The minimum monthly retirement benefit for a member with at least 5 full years of credited service is

- (a) For a member who retires on or after July 1, 1997, \$250, reduced pro rata for service less than 25 years, if the member had worked at least 1,000 hours in each of 5 years, or
- (b) For a member who retires after January 1, 1977 and before July 1, 1997, \$250, reduced pro rata for service less than 25 years, if the member had worked at least 1,000 hours in each of 10 years, or
- (c) For a member who was retired on January 1, 1977, \$125, reduced pro rata for service less than 25 years, if the member had not worked for at least 1,000 hours in each of 5 years;

provided that the minimum will be reduced actuarially in accordance with the terms of any option elected.

**32. *Benefit Adjustment (Section 1390.18)***

Retirement benefits payable from the fund to retired members, survivors or beneficiaries are increased by 3% of the current benefit. An additional adjustment of up to 1% of the current benefit, in an amount equal to one-half of the excess over 3% of the percentage change in the Consumer Price Index for the 12 months ending September 30 of the prior year, applies to all pensioners and beneficiaries who have reached age 62 in the current year. Adjustments are to be made January 1 of each year, commencing 12 months after benefits start.

**33. *Permanent Disability (Sections 1390.10, 1390.11 and 1390.12)***

- (a) Incurred in Line of Duty

In the event of permanent disability incurred in the line of duty, the member will receive a monthly benefit equal to 50% of the member's average salary, payable from the date of disability until death or earlier termination of disability.

- (b) Incurred Other than in Line of Duty

If a member who has at least 5 years of service becomes disabled after July 1, 1997, as a result of any cause other than an in line of duty injury, the member is entitled to a benefit payable during the member's lifetime or until earlier recovery from disability. The monthly benefit is 2% of the member's average salary for each full year of service not exceeding 25 years, but in no event shall be less than \$250, reduced proportionately if service is less than 25 years.

**34. *Death of a Disabled Member (Sections 1390.11 and 1390.15)***

- (a) Disability Incurred in Line of Duty

Upon the death of a member who is receiving benefits on account of permanent disability incurred in line of duty, the surviving spouse and dependent children, or dependent parents, if any, are entitled to the death benefit payable upon the death of a member due to line of duty causes, as described in item 35(a) below.



## (b) Disability Incurred Other than in Line of Duty

Upon the death of a member who is receiving benefits on account of permanent disability incurred other than in line of duty:

- (1) A surviving spouse receives, until death, a monthly benefit of 50% of the benefit the member was receiving at the date of death, subject to a minimum of \$250 per month reduced by the proportion that the member's years actually served bear to 25 years.
- (2) Each dependent child receives a monthly benefit of \$75 until age 19, or age 23 if a full-time student.

If benefits payable under (1) and (2) exceed the benefit the member was receiving at death, the dependents' benefits are reduced proportionately.

- (3) If neither spouse nor dependent child survives the member, \$250 per month for life or the duration of dependency is paid to dependent parents, if any, reduced pro rata for less than 25 years of service. A dependent parent is a parent who received more than 50% of support from the member.

### 35. *Death of an Active Member Before Retirement (Sections 1390.13 and 1390.14)*

Benefits are payable to the named beneficiary in accordance with the alternate retirement option on file with the pension board at the time of the member's death. If no option is on file at the time of the member's death, the following benefits are payable:

## (a) In line of Duty

Upon the death of a member while in active service and in the line of duty, benefits to survivors are as follows:

- (1) A surviving spouse receives, until death, a monthly benefit equal to 50% of the member's average salary, reduced proportionately if member's death occurred before completion of 25 years of service, subject to a minimum of \$250 per month.
- (2) Each dependent child receives \$75 per month until age 19, or, if a full-time student, until age 23.
- (3) If there is no surviving spouse or dependent child, but there is a surviving dependent parent or parents, \$250 is paid to the parent or jointly to the parents monthly for life or for the duration of dependency. The benefit is reduced pro rata if the member's death occurred before the member had completed 25 years of service.

## (b) Other than in Line of Duty

If a member with at least 5 years of service (on or after July 1, 1997) dies while actively employed from causes other than injury in line of duty, survivors' benefits are as follows:

- (1) A surviving spouse receives, until death, a monthly benefit equal to 50% of the monthly benefit the member would have received under item 34(b) above if the member had retired as a result of disability not in line of duty, subject to a minimum monthly benefit of \$250 if the member had completed 25 years of service. The minimum is reduced proportionately for less than 25 years of service.
- (2) Each dependent child receives \$75 per month until age 19 (if a full-time student, until age 23).



(3) Dependent parents receive the same benefit as in item (a)(3) above.

**36. *Death of Retired Member (Section 1390.15)***

Upon the death after normal retirement of a member who has not elected an optional form of benefit described in item 40 below, the member's surviving spouse, dependent children and dependent parent or parents receive the same benefits as in item 34(b) above.

A member who has been married for at least two years at the member's normal retirement date may elect within 90 days prior to such date to have paid, in lieu of the member's pension and survivor's benefits to a spouse, an Option A benefit commencing at the member's retirement, with benefits continuing for the lifetime of the spouse. This elected benefit is to have the same actuarial value as the pension otherwise payable for the member's life plus the value of the spouse's survivor benefit payable during the spouse's lifetime.

**37. *Vesting (Section 1390.16)***

- (a) A member with at least 5 years of service (as of July 1, 1997) who terminates employment is eligible to receive a refund of contributions or a deferred vested retirement benefit for life, commencing on normal retirement date. The benefit is computed as 2% of the member's average salary for each year of service the member would have completed on normal retirement date, subject to a maximum of 25 years, reduced by the ratio of years of service the member had completed at termination to the years of service that the member would have completed if the member had continued to work until normal retirement. If death occurs prior to commencement of the deferred benefit, a refund of employee contributions plus simple interest is payable to the designated beneficiary or the member's estate, as applicable.
- (b) A member with 25 years of service is entitled to a deferred vested retirement benefit computed as in (a) above, or the member may elect in lieu thereof to receive an immediate monthly benefit payable for life. If death occurs prior to commencement of a deferred benefit, payments are made in accordance with any option that was elected by the member. If no option had been elected, a benefit is paid to the surviving spouse as though the member had elected a 50% joint and survivor annuity, or a refund of employee contributions plus simple interest is paid to the member's estate if there is no surviving spouse.

**38. *Termination Prior to Vesting (Sections 1350(O), 1350.9, and 1390.17)***

- (a) Upon termination of employment before becoming vested, a member may elect either
  - (1) to receive a refund of employee contributions with simple interest, without right to credit for prior service in the event of reemployment, or
  - (2) to leave contributions in the fund for six years, with credit for prior service if reemployed within the six-year period; if the member is not reemployed or if the member dies a refund is automatic at the end of six years.

(b) Reinstatement of Previous Service

A member who terminates with a non-vested benefit, upon reemployment within six years after such termination, has the right to reinstate previous credited service upon meeting the following conditions:

- (1) written application submitted within six months of a member's first reemployment anniversary date;
- (2) if the member had received a refund, payment of the refund with interest computed at the reemployment interest rate (actuarial assumed rate at time of reemployment); and
- (3) completion of one year of employment after reemployment.

**39. *Reemployment (Sections 1381.2)***

Any Division C member who is reemployed on or after January 1, 2013 will automatically become a member of Division H.

**40. *Optional Forms of Settlement (Sections 1350.7, 1350.8, 1390.19)***

A member who is entitled to retirement or disability benefits, may elect any of the following:

Option A - A joint and survivor annuity, with 50%, 75% or 100% of the member's benefit continuing to the spouse after death.

A modification of this type of option is also available, under which the member receives a smaller initial benefit, but the monthly amount reverts to the level payable if no option had been elected in the event the spouse predeceases the member.

Option B - A life annuity, with 60, 120 or 180 monthly payments guaranteed.

Option C - A cash refund annuity.

Option D - Special design: The supplemental plan provisions, as reviewed by the pension board and approved by city council, may authorize additional forms of benefit, including benefits payable in whole or in part as a single sum.

The maximum benefit from the System for a member who is also eligible to receive benefits from the Tennessee Consolidated Retirement System is determined as 100% of the member's final three-year average earnings less the amount of benefit from the Tennessee Consolidated Retirement System.

**41. *Member Contributions (Section 1390.4)***

Each member contributes by payroll deduction 6% of monthly salary by payroll deduction. Effective January 1, 1997, contributions are not required by members with more than 30 years of service.

**42. *Employer Contributions (Section 1390.5)***

The required employer contribution rate is based on an annual actuarial valuation.



## Division G

### 43. *Eligibility (Section 1371.2 A)*

All general government employees hired on or after January 1, 1997 and prior to January 1, 2013 are eligible on the first day of the month following six months of service. General government employees hired before January 1, 1997 may elect to participate in Division G, effective July 1, 1997.

### 44. *Normal Retirement (Sections 1371.3 and 1371.4)*

Eligibility for normal retirement benefit is the earlier of (i) age 62 or (ii) the first of the month coincident or following the date the member's age plus credited service equals eighty (80).

### 45. *Normal Retirement Benefit - Division G1 (Section 1371.3 A1)*

The monthly normal retirement benefit for a member of Division G1 is equal to the sum of the following:

- (a) the Division A benefit based on service prior to July 1, 1997,
- (b) one-twelfth of the product of: (i) service after July 1, 1997, (ii) Average Compensation and (iii) the following applicable benefit rate:

Age at Benefit Commencement	Benefit Rates for Retirements Before January 6, 2001	Benefit Rates for Retirements After January 6, 2001
62 or earlier	1.07%	1.15%
63	1.12%	1.21%
64	1.18%	1.27%
65 or later	1.25%	1.35%

and,

- (c) any amounts which have been contributed or allocated to the member's individual account.

Average Compensation is calculated as the highest 2, not necessarily consecutive, 12-month periods.

### 46. *Normal Retirement Benefit - Division G2 (Section 1371.3 A2)*

The monthly normal retirement benefit for a member of Division G2 is equal to one-twelfth of the product of (a) credited service (in years and completed months), and (b) 2% of Average

Compensation. Average Compensation is calculated as the highest 2, not necessarily consecutive, 12-month periods. For retirements after January 6, 2001, 2% is increased to 2.1%.

**47. *Minimum Benefits (Section 1371.3 B)***

Minimum benefits under Division G are determined according to the same rules used to determine minimum benefits under Division A.

**48. *Employee Contributions (Section 1371.3 F)***

The amount of the employee contribution is 6% of compensation. For members of Division G1, one-half of the employee contribution (or 3% of compensation) is allocated to the employee's individual account.

**49. *Retirement (Section 1371.4 A)***

Early or delayed retirement may be elected under the same provisions as Division A, except that the reduction, if any, shall be 0.25% per month for each month by which the benefit commencement precedes the month of the member's 62nd birthday.

**50. *Benefit Adjustment (Section 1371.3 C)***

Benefit adjustments shall be made as if the member were a Division A member, except that amounts from the member's individual account (under Division G1) shall be excluded and that the first adjustment shall apply on a prorated basis on the January 1 following retirement.

**51. *Employer Contributions (Section 1371.3 E)***

The amount of the employer contribution varies from year to year and is based on the amount required to meet the funding obligations of the system. In addition, for members of Division G1, the employer will contribute 1.5% of the member's compensation to the member's individual account.

**52. *Disability (Section 1371.4 B)***

Eligibility requirements are the same as for Division A. The amount of the benefit is based on the member's Division G benefit, including, if applicable, the amount of the member's individual account balance.

**53. *Optional Forms of Settlement (Sections 1371.4D and 1350.7, Section 2.01 of the July 1, 1997 Supplemental Plan Provisions)***

Members entitled to receive retirement benefits may elect any of the optional forms available under Division A. A member with an individual account balance may receive that balance in the form of a lump sum.

**54. *Termination before Retirement (Section 1371.4E, Section 2.02 of the July 1, 1997 Supplemental Plan Provisions)***

Members who terminate with a vested benefit will receive that benefit in accordance with the same rules applicable to members of Division A. A member with an individual account balance who



terminates with less than 5 years of service may elect to receive a refund of employee contributions. A member with an individual account balance who terminates with more than 5 years of service may elect to receive the amount of the individual account balance as a deferred annuity.

**55.     *Reemployment (Sections 1381.2)***

Any Division G member who is reemployed on or after January 1, 2013 will automatically become a member of Division H.

**56.     *Delayed Retirement Option (Section 1371.8)***

On or after January 6, 2001, a member eligible for Normal Retirement may elect a delayed retired date, not more than 24 months after the date of election. The monthly benefit payable beginning on the delayed retirement date will be the same as would have been payable had the member retired on the election date except that a single sum amount shall also be paid. The amount of the single sum payment will be equal to the monthly payment times the number of months from election date to delayed retirement date plus any cost-of-living increases which are effective during the DROP period.

**Division F (Items 57-64 have been removed; see July 1, 2018 valuation)**

**Division H – General Government**

**65.     *Eligibility (Sections 1381.2 A and B)***

All general government employees hired on or after January 1, 2013 are eligible as of the date of employment. All former City of Knoxville general government employees rehired on or after January 1, 2013 will become a member of Division H and accrue benefits under Division H only from such reemployment date.

**66.     *Normal Retirement (Section 1381.1 R)***

Eligibility for normal retirement benefit is the completion of 10 years of service and the attainment of age 63.

**67.     *Normal Retirement Benefit (Sections 1381.1 B and F, 1381.3 A)***

The monthly normal retirement benefit is equal to the greater of the following:

- (a) a monthly benefit equal to one-twelfth of the product of 2% times service times average compensation, or,
- (b) the annuity value of the member's hypothetical account

Average Compensation is calculated as the highest 5, not necessarily consecutive, 12-month periods, limited by the compensation cap if applicable. The compensation cap is \$51,000 as of July 1, 2023, indexed by the CPI, rounded down to the nearest \$1,000.



**68. Minimum Benefits (Section 1381.3 B)**

The minimum monthly retirement benefit payable to a member who has completed at least 10 years of service is

- (a) \$10 per year of service, subject to a maximum of \$250, if the member worked at least 1,000 hours in each of 10 years of service, or
- (b) \$5 per year of service, subject to a maximum of \$125, if the member did not work at least 1,000 hours in each of 10 years of service

provided that the minimum will be reduced actuarially in accordance with the terms of any option elected by the member.

**69. Early Retirement (Section 1381.3 C)**

A Division H Member shall be eligible for Early Retirement upon attainment of age 50 and completion of 20 years of service.

The monthly early retirement benefit is equal to the greater of the following:

- (a) a monthly benefit equal to the Normal Retirement Benefit in item 67(a) above, reduced by 4/12 of 1% per month for each month prior to normal retirement date, or,
- (b) the annuity value of the member's hypothetical account at the member's early retirement date

**70. Benefit Adjustment (Section 1381.3 D)**

Retirement benefits payable from the fund to retired members, survivors or beneficiaries are increased by the product of

- (a) the percentage change in the Consumer Price Index for the 12 months ending September 30 of the prior year, but not less than 0% or greater than 3%, and
- (b) the COLA funding factor based on the Division H funded percentage determined as of June 30 of the prior year, as follows:

Funded Percentage	COLA Funding Factor
$\geq 95\%$	100%
$\geq 80\%$ but $< 95\%$	50%
$\geq 60\%$ but $< 80\%$	25%
$< 60\%$	0%

Adjustments are to be made January 1 of each year. Benefits commencing on a date other than January 1 will receive a prorated benefit adjustment based on full months the benefit was paid in the initial year.

Adjustments will not be made with regard to refunds or partial lump sum distributions.

**71. Employee Hypothetical Accounts (Section 1381.3 E)**

Each employee shall have a hypothetical account maintained by the plan which is comprised of employer credits, employee credits, and allocation of interest credit.



**72. *Employer Contributions (Section 1381.3 F)***

The required employer contribution rate is based on an annual actuarial valuation.

**73. *Employee Contributions (Section 1381.3 G)***

The amount of the employee contribution is 6% of compensation.

**74. *Employer Credits (Section 1381.3 F)***

The member's hypothetical account shall receive quarterly employer credits in an amount equal to 8% of compensation.

**75. *Employee Credits (Section 1381.3 G)***

The member's hypothetical account shall receive quarterly employee credits in an amount equal to 6% of compensation.

**76. *Allocation of Interest Credit (Section 1381.3 H)***

As of each valuation date, interest credit shall be allocated to the hypothetical account of each member by applying the interest crediting rate since the preceding valuation date to the member's hypothetical account balance as of that preceding valuation date plus interest on  $\frac{1}{2}$  of the member's employee and employer contribution credits since that preceding valuation date.

**77. *Disability (Sections 1381.4 B and 1360.18)***

Eligibility requirements are the same as for Division A. Any not in line of duty disability benefit is only payable with respect to members who have 10 years of service. The benefit is based on the Division H Normal Retirement Benefit.

**78. *Death (Section 1381.4 C)***

Eligibility requirements are the same as for Division A. Any not in line of duty death benefit is only payable with respect to members who have 10 years of service. The benefit is based on the Division H Normal Retirement Benefit.

**79. *Form of Payment (Sections 1381.4 D, 1350.7, and 1360.26)***

Members entitled to receive retirement benefits may elect any of the optional forms available under Division A. In addition, a member may elect to receive a lump sum up to 10% of the hypothetical account, with an actuarially equivalent reduced monthly benefit for life in any other available optional form.

**80. *Termination Prior to Vesting (Sections 1381.4 E and 1381.1 S)***

A member who has completed less than 10 years of service may elect either

- (a) to receive a refund of employee contributions with simple interest, and if re-employed within six years, the member will be eligible to apply for reinstatement, or



- (b) to leave contributions in the fund, and upon subsequent employment, prior service will automatically be reinstated.

If the member dies prior to the commencement of any benefit, a refund shall be payable to the designated beneficiary, or otherwise to the estate.

#### **81.     *Reinstatement of Previous Service (Section 1381.2 D)***

A member who terminates with a vested benefit who did not receive a refund shall be automatically reinstated upon reemployment.

A member who terminates with a non-vested benefit, upon reemployment within six years after such termination, has the right to reinstate previous credited service upon meeting the following conditions:

- (1) written application submitted within six months of a member's first reemployment anniversary date;
- (2) if the member had received a refund, payment of the refund with interest computed at the reemployment interest rate (actuarial assumed rate at time of reemployment) within 60 days of approval; and
- (3) completion of one year of employment after reemployment.

A member who repays any refunded contributions will be credited with the hypothetical account balance, adjusted with interest credits as appropriate.

#### **82.     *Termination before Retirement (Section 1381.4 F)***

A member who has completed at least 10 years of service may elect either

- (a) to receive a refund of employee contributions with simple interest, and if re-employed within six years, the member will be eligible to apply for reinstatement, or
- (b) to leave contributions in the fund, and upon subsequent employment, prior service will automatically be reinstated. If not reemployed, the member is eligible to receive a monthly deferred vested retirement benefit payable at normal retirement date.

If the member dies prior to the commencement of any benefit, and if the member elected a form of benefit with a designated beneficiary of a dependent or spouse, a benefit shall be payable according to the terms of that option. If no such election of option is in effect, the optional benefit shall be computed as though the member had elected option A, with 50% to continue after death to the surviving spouse for life. If no spouse is living, a refund shall be payable to the member's estate.

### **Division H – Uniformed Bodies**

#### **83.     *Eligibility (Sections 1381.2 A and B)***

All uniformed bodies employees hired on or after January 1, 2013 are eligible as of the date of employment. All former City of Knoxville uniformed bodies employees rehired on or after January 1, 2013 will become a member of Division H and accrue benefits under Division H only from such reemployment date.



**84. Normal Retirement (Section 1381.1 R)**

Eligibility for normal retirement benefit is the earlier of (i) the completion of 25 years of service and the attainment of age 56; or (ii) the completion of 10 years of service and the attainment of age 63.

**85. Normal Retirement Benefit (Sections 1381.1 B and F, 1381.3 A)**

The monthly normal retirement benefit for a member of Division H is equal to the greater of the following:

- (a) a monthly benefit equal to one-twelfth of the product of 2% times service times average compensation, or,
- (b) the annuity value of the member's hypothetical account

Average Compensation is calculated as the highest 5, not necessarily consecutive, 12-month periods, limited by the compensation cap if applicable. The compensation cap is \$51,000 as of July 1, 2023, indexed by the CPI, rounded down to the nearest \$1,000.

**86. Minimum Benefits (Section 1381.3 B)**

The minimum monthly retirement benefit payable to a member who has completed at least 10 years of service is

- (a) \$10 per year of service, subject to a maximum of \$250, if the member worked at least 1,000 hours in each of 10 years of service, or
- (b) \$5 per year of service, subject to a maximum of \$125, if the member did not work at least 1,000 hours in each of 10 years of service

provided that the minimum will be reduced actuarially in accordance with the terms of any option elected by the member.

**87. Early Retirement (Section 1381.3 C)**

A Division H Uniformed Member shall be eligible for Early Retirement upon attainment of age 50 and completion of 20 years of service.

The monthly early retirement benefit is equal to the greater of the following:

- (a) a monthly benefit equal to the Normal Retirement Benefit in item 85(a) above, reduced by 4/12 of 1% per month for each month prior to normal retirement date, or,
- (b) the annuity value of the member's hypothetical account at the member's early retirement date.

**88. Benefit Adjustment (Section 1381.3 D)**

Retirement benefits payable from the fund to retired members, survivors or beneficiaries are increased by the product of

- (a) the percentage change in the Consumer Price Index for the 12 months ending September 30 of the prior year, but not less than 0% or greater than 3%, and
- (b) the COLA funding factor based on the Division H funded percentage determined as of June 30 of the prior year, as follows:



Funded Percentage	COLA Funding Factor
$\geq 95\%$	100%
$\geq 80\%$ but $< 95\%$	50%
$\geq 60\%$ but $< 80\%$	25%
$< 60\%$	0%

Adjustments are to be made January 1 of each year. Benefits commencing on a date other than January 1 will receive a prorated benefit adjustment based on full months the benefit was paid in the initial year.

Adjustments will not be made with regard to refunds or partial lump sum distributions.

**89. *Employee Hypothetical Accounts (Section 1381.3 E)***

Each employee shall have a hypothetical account maintained by the plan which is comprised of employer credits, employee credits, and allocation of interest credit.

**90. *Employer Contributions (Section 1381.3 F)***

The required employer contribution rate is based on an annual actuarial valuation.

**91. *Employee Contributions (Section 1381.3 G)***

The amount of the employee contribution is 6% of compensation.

**92. *Employer Credits (Section 1381.3 F)***

The member's hypothetical account shall receive quarterly employer credits in an amount equal to 10% of compensation.

**93. *Employee Credits (Section 1381.3 G)***

The member's hypothetical account shall receive quarterly employee credits in an amount equal to 6% of compensation.

**94. *Allocation of Interest Credit (Section 1381.3 H)***

As of each valuation date, interest credit shall be allocated to the hypothetical account of each member by applying the interest crediting rate since the preceding valuation date to the member's hypothetical account balance as of that preceding valuation date plus interest on  $\frac{1}{2}$  of the member's employee and employer contribution credits since that preceding valuation date.

**95. *Disability (Sections 1381.4 B and 1390.10)***

Eligibility requirements are the same as for Division C. Any not in line of duty disability benefit is only payable with respect to members who have 10 years of service. The not in line of duty benefit is based on the Division H Normal Retirement Benefit. The in line of duty benefit is the same as for Division C.



**96. *Death (Section 1381.4 C)***

Eligibility requirements are the same as for Division C. Any not in line of duty death benefit is only payable with respect to members who have 10 years of service. The benefit is based on the Division H Normal Retirement Benefit.

**97. *Form of Payment (Sections 1381.4 D, 1350.7, and 1360.26)***

Members entitled to receive retirement benefits may elect any of the optional forms available under Division A. In addition, a member may elect to receive a lump sum up to 10% of the hypothetical account, with an actuarially equivalent reduced monthly benefit for life in any other available optional form.

**98. *Termination Prior to Vesting (Sections 1381.4 E and 1381.1 S)***

A member who has completed less than 10 years of service may elect either

- (a) to receive a refund of employee contributions with simple interest, and if re-employed within six years, the member will be eligible to apply for reinstatement, or
- (b) to leave contributions in the fund, and upon subsequent employment, prior service will automatically be reinstated.

If the member dies prior to the commencement of any benefit, a refund shall be payable to the designated beneficiary, or otherwise to the estate.

**99. *Reinstatement of Previous Service (Section 1381.2 D)***

A member who terminates with a vested benefit who did not receive a refund shall be automatically reinstated upon reemployment.

A member who terminates with a non-vested benefit, upon reemployment within six years after such termination, has the right to reinstate previous credited service upon meeting the following conditions:

- (1) written application submitted within six months of a member's first reemployment anniversary date;
- (2) if the member had received a refund, payment of the refund with interest computed at the reemployment interest rate (actuarial assumed rate at time of reemployment) within 60 days of approval; and
- (3) completion of one year of employment after reemployment.

A member who repays any refunded contributions will be credited with the hypothetical account balance, adjusted with interest credits as appropriate.

**100. *Termination before Retirement (Section 1381.4 F)***

A member who has completed at least 10 years of service may elect either

- (a) to receive a refund of employee contributions with simple interest, and if re-employed within six years, the member will be eligible to apply for reinstatement, or



- (b) to leave contributions in the fund, and upon subsequent employment, prior service will automatically be reinstated. If not reemployed, the member is eligible to receive a monthly deferred vested retirement benefit payable at normal retirement date.

If the member dies prior to the commencement of any benefit, and if the member elected a form of benefit with a designated beneficiary of a dependent or spouse, a benefit shall be payable according to the terms of that option. If no such election of option is in effect, the optional benefit shall be computed as though the member had elected option A, with 50% to continue after death to the surviving spouse for life. If no spouse is living, a refund shall be payable to the estate.

## Summary of Actuarial Assumptions

### Mortality Rates (Pre- and Post-Retirement) \*

#### Pre-July 1, 2022

Divisions A, B C, F, G, and H (not including Bd. of Ed.)

110% of the RP-2000 Healthy Annuitant static table rates

Divisions A and B (Bd. of Ed.)

2016 PPA Annuitant static table

#### Effective July 1, 2022

Divisions A, B C, F, G, and H (not including Bd. of Ed.)

115% of the RP-2014 Blue Collar table rates projected to 2021 with MP-2021

Divisions A and B (Bd. of Ed.)

2021 PPA Annuitant static table

\* Mortality improvements to 2021 have been implemented for non-Board of Ed; they have been considered but not deemed appropriate for Board of Ed. This will be reviewed again as part of the 2026 experience study.

### Withdrawal Rates (based on estimated experience)

Age	1 <sup>st</sup> Year Select	2 <sup>nd</sup> Year Select (Div. A Bd. Ed., Div. C, Div. HU)	2 <sup>nd</sup> Year Select (all others)	Ultimate (Div. A Bd. Ed.)	Ultimate (Div. C, Div. HU)	Ultimate (all others)
20	17.1%	7.0%	14.1%	5.3%	8.1%	10.3%
25	17.1%	7.0%	14.0%	4.3%	6.7%	9.4%
30	16.9%	7.0%	13.9%	3.6%	4.8%	7.8%
35	16.5%	6.9%	13.7%	3.0%	3.1%	6.2%
40	15.9%	6.7%	13.3%	2.6%	1.8%	3.8%
45	15.0%	6.4%	12.8%	2.2%	0.9%	2.9%
50	13.9%	6.2%	12.3%	1.9%	0.4%	2.3%
55	12.5%	5.8%	11.6%	1.7%	0.0%	2.2%
60	11.0%	5.3%	10.6%	1.6%	0.0%	0.0%

### Salary Scale (based on estimated experience)

Age	Div. A, B, G, H	Div. C, F, HU
20	11.5%	11.5%
25	6.3%	7.7%
30	5.3%	6.5%
35	4.7%	5.7%
40	4.3%	5.0%
45	3.9%	4.4%
50	3.6%	3.8%
55	3.4%	3.4%
60	3.0%	3.0%



**Disability Rates and Mortality** (based on estimated experience)

<b>Age</b>	<b>Div. A, B, G, H</b>	<b>Div. C, HU (100% In-Line-of-Duty)</b>	<b>Mortality Rate</b>
20	0.06%	0.00%	2.63%
25	0.06%	0.00%	2.63%
30	0.06%	0.00%	2.37%
35	0.06%	0.60%	2.14%
40	0.10%	0.60%	2.09%
45	0.18%	0.63%	2.24%
50	0.42%	1.10%	2.57%
55	0.86%	2.10%	2.95%
60	0.60%	3.72%	3.31%

**Rate of Transfer from G1 to G2**

90% Transfer Division G1 to Division G2 (at 10 years of service)

**Rate of Normal Retirement**

Division A and B:

<b>Age</b>	<b>Percent Retiring</b>	<b>Age</b>	<b>Percent Retiring</b>
53	2%	62	35%
54	2%	63	10%
55	2%	64	5%
56	3%	65	8%
57	3%	66	5%
58	5%	67	2%
59	5%	68	2%
60	5%	69	1%
61	5%	70	0%

Division C: 20% retire at each age beginning with age 50 and 25 years of Credited Service, but in no event later than age 60

Division G: 12.5% retire at each age once the rule of 80 is met from age 50 to age 61  
25% retire at each age from 62 to 6  
100% retire by age 70

Division H: 25% retire at each age from 63 to 69  
100% retire by age 70

Division HU: 40% retire at age 56 and 25 years of service  
20% retire at each age from 57 to 62 with 25 years of service  
100% retire by age 63



## Rate of Investment Return

### Pre-July 1, 2022

Div. H & HU: 5.5% per year, based on 2.5% inflation assumption; 0.5% expense assumption

All others: 7.25% per year, based on 2.5% inflation assumption; 0.5% expense assumption

### Effective July 1, 2022

Div. H & HU: 5.5% per year, based on 2.5% inflation assumption; 0.5% expense assumption

All others: 7.20% effective July 1, 2022, based on 2.5% inflation assumption; 0.5% expense assumption, decreasing by 5 basis points each year to 7.00% (current rate is 7.15%)

## Discount Rate

### Pre-July 1, 2022

Div. H & HU: 5.5% per year, compounded annually

All others: 7.25% per year, compounded annually

### Effective July 1, 2022

Div. H & HU: 5.5% per year, compounded annually

All others: 7.20% effective July 1, 2022, decreasing by 5 basis points each year to 7.00% (current rate is 7.15%)

Paragraph 43 of Statement No. 67 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The City's current contribution policy, which was adopted effective July 1, 2022, requires the City to contribute the normal cost plus the 20-year closed amortization of the unfunded liabilities in the fiscal year following the annual valuation. As of the July 1, 2023 valuation, the current amortization period is 19 years. The unfunded liability as of percent of actuarial assets as of July 1, 2023 was 33.9%. Based on actuarial theory, if the actuarial assumptions are met, the plan's fiduciary net position will remain positive.

## LDROM Interest rates

4.13% - S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2023

## Spouse Frequency and Ages

Assume 85% married, with husbands four years older than wives



## Actuarial Valuation Method

Entry Age Normal

All groups - Unfunded liability will be amortized over a 20-year period beginning July 1, 2022.

Current amortization period is 19 years (closed amortization).

The actuarial liabilities shown in this report are determined using software purchased from an outside vendor which was developed for this purpose. Certain information is entered into this model in order to generate the liabilities. These inputs include economic and non-economic assumptions, plan provisions, and census information. We rely on the coding within the software to value the liabilities using the actuarial methods and assumptions selected. Both the input to and the output from the model is checked for accuracy and reviewed for reasonableness.

## Asset Valuation Method

Market Value, adjusted for 10-year phase-in of each year's difference between actual and expected value. Actuarial Value to be no more than 120% and no less than 80% of Market Value.

## Cost of Living Adjustment

3.5% per annum for all except Division H

3.0% per annum for Division H

## Refund of Employee Contributions

It is assumed all members that terminate prior to age 40 will take a refund of employee contributions (whether or not they are vested).

## Effective Date of Actuarial Assumptions

All actuarial assumptions were reviewed during the July 1, 2021 experience study. All changes recommended were adopted effective for the July 1, 2022 valuation.



## Risk Discussion

### Actuarial Standard of Practice No. 51

Effective November 1, 2018, actuarial funding valuation reports are required to include a discussion of the risk associated with measuring pension obligations and determining pension plan contributions. The risks that may reasonably be anticipated to significantly affect the plan's future financial condition are discussed below.

### Investment Risk

Due to the plan's equity exposure, investment returns will likely be more volatile than liability valuations. Therefore, there is a risk that the funded status of the plan, as well as plan contributions, could be volatile. This risk is modeled each year by varying future investment returns.

### Interest Rate Risk

Due to the plan's estimated liability duration of 11 to 13, a 1% decrease in interest rates would increase the liability 11% to 13%. Further, to the extent the plan's fixed income assets are not correlated to the plan's future benefit payments, there is risk that the funded status of the plan, as well as plan contributions, could be volatile due to changes in interest rates.

### Longevity Risk

Since nearly all benefits are paid as annuities, the plan is sensitive to changes in overall population longevity. As a result, the liabilities will fluctuate with changes in longevity. As members live longer than expected, the plan's liabilities may increase.

### Contribution Policy Risk

No known significant risks. The City makes the recommended contribution each year.

### Low-Default-Risk Obligation Measurement

In accordance with Actuarial Standards of Practice (ASOP) No. 4, the actuary is required to provide a "Low-Default-Risk Obligation Measurement" (LDROM). The intended purpose of the measurement is to show what the funding liability would be if the plan invested its assets solely in a portfolio of high-quality bonds (whose cash flows approximately match the plan's future benefit payments) using current interest rate conditions. While investing solely in bonds might typically be expected to reduce the plan's investment risk, it would also likely reduce the plan's long-term investment returns, thereby increasing the amount of expected contributions needed over the life of the plan (perhaps significantly). The plan's current investment policy is likely to result in lower contributions needed to support the trust fund than an all-bond policy; however, it can be more volatile, resulting in larger changes year-to-year on funded status. This disclosure is intended to help the user understand the cost of investing in an all-bond portfolio, if the assumed investment return was based on current interest rates. This disclosure may also provide additional information regarding the security of benefits that participants have earned. This disclosure is required and does not imply the plan sponsor is considering investing solely in bonds. This disclosure may not be appropriate for other uses. As of the valuation date, the Low-Default-Risk Obligation Measurement (LDROM) for the plan is \$1.4 billion. Using LDROM interest rates the Plan is 48% funded compared to a funded level of 69% using the Plan's ongoing interest rates.



## Pension Contribution Amounts

For funding year 2024-2025

	7.15% General Government	7.15% Uniformed	7.15% Schools	Total Non H	5.5% Plan H Gen. Govt.	5.5% Plan H Uniformed	Total
<b>1 Actuarial Liability</b>	286,061,563	607,693,236	37,050,529	930,805,328	18,429,383	10,669,680	959,904,391
<b>2 Actuarial Asset Value</b>	223,967,031	446,715,084	16,089,267	686,771,382	19,224,492	10,902,645	716,898,519
<b>3 Unfunded Actuarial Liability</b>	62,094,532	160,978,152	20,961,262	244,033,946	(795,109)	(232,965)	243,005,872
<b>4 Amortization Years</b>	19	19	19	19	19	19	
<b>5 Amortization of Unfunded Accrued Liability</b>	5,670,166	14,699,731	1,914,079	22,283,976	(64,928)	(19,024)	22,200,024
<b>6 Entry Age Normal Cost</b>	1,475,579	5,526,175	-	7,001,754	2,112,621	1,805,129	10,919,504
<b>7 Preliminary Contribution</b>	7,145,745	20,225,906	1,914,079	29,285,730	2,047,693	1,786,105	33,119,528
<b>8 Recommended Contribution (mid-year payment)</b>	7,396,795	20,936,500	1,981,326	30,314,621	2,103,251	1,834,565	34,252,437
<b>9 2023-2024 Projected Payroll</b>	19,148,071	31,120,707	-	50,268,778	23,230,182	13,457,164	86,956,124
<b>10 Recommended Contribution as % of Payroll</b>	38.63%	67.28%	-	60.31%	9.05%	13.63%	39.39%
<b>11 Amortization of Unfunded Accrued Liability (mid-year)</b>	5,869,375	15,216,175	1,981,326	23,066,876	(66,689)	(19,541)	22,980,646
<b>12 Amortization of Unfunded Accrued Liability (% of Pay)</b>	30.65%	48.89%	-	45.89%	(0.29%)	(0.15%)	26.43%
<b>13 Entry Age Normal Cost (mid-year)</b>	1,527,420	5,720,325	-	7,247,745	2,169,940	1,854,106	11,271,791
<b>14 Entry Age Normal Cost (% of Pay)</b>	7.98%	18.38%	-	14.42%	9.34%	13.78%	12.96%
<b>15 Recommended Contribution</b>	7,396,795	20,936,500	1,981,326	30,314,621	2,103,251	1,834,565	34,252,437
<b>16 Recommended Contribution (% of Pay)</b>	38.63%	67.28%		60.31%	9.05%	13.63%	
<b>Prior Year Recommendation</b>	7,135,977	19,988,034	2,090,952	29,214,963	1,780,699	1,603,676	32,599,338
<b>Prior Year Variance</b>	260,818	948,466	(109,626)	1,099,658	322,552	230,889	1,653,099

